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Speech

TRANSPORTATION POLICY IN CHANGING TIMES

Remarks of
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It is a pleasure to be here to talk about the policy issues facing the transportation sector today and what the U.S. Department of Transportation plans to focus on during 2005. A great many challenges are surfacing and, while it's still in the formative stages, we are developing an agenda for 2005 that I believe will address those challenges in a very direct and forward-looking way. Today I will touch on some of those initiatives to give you a flavor for our current thinking.

As someone who has spent a lot of years working on transportation policy, both in government and the private sector, I believe that we are coming to an important crossroads in transportation policy. We face serious questions about the sufficiency of traditional models as a means of financing our national infrastructure in the years ahead. For a variety of reasons, our trust funds for surface and air transportation are looking increasingly vulnerable across all modes in the longer term.

That reality is exacerbated by the fact that, because our programs have been so government-centric over the years, there is very little private sector participation in those programs outside of the provision of the services themselves. Despite the sweeping deregulation that occurred in the airline, trucking and rail industries during the late 70's and early 80's, there is much more we can do to unleash the energy of the market and further eliminate burdensome regulations across all modes of transportation, allowing service providers to respond more quickly to market forces. All of this is against a backdrop of surging demand for transportation services across all modes of transportation and a global economy in which businesses are ever more reliant on logistics to meet their

cost-reduction targets. Transportation is embedded in the global economy in a new, fundamental, and irreversible way.

These are the kinds of issues we are focused on as we work under Secretary Mineta's leadership to develop a policy agenda for 2005 and beyond. A lot of public attention going into President Bush's second term, of course, has been focused on his desire to achieve major reforms in our social security program and a simplification of the tax code. These two initiatives are part of the President's broader effort to move towards an "ownership society," a society in which individual responsibility and free markets take precedence. That over-arching theme forms the setting for DOT's new policy agenda.

Surface Transportation Reauthorization

First and foremost on our list of priorities is securing passage of a surface transportation reauthorization act. The last authorizing statute expired well over a year ago, and the ongoing uncertainty about reauthorization continues to have an adverse impact on state and local planning for highway, transit and highway safety projects. Congress's failure to pass a bill has also robbed us of the opportunity to make important changes to existing law that would help to reduce bottlenecks, encourage more private sector participation in infrastructure financing, streamline environmental reviews, and – perhaps most importantly – make far-reaching changes to our highway safety programs that could help us save thousands of lives.

We believe it is imperative that Congress reauthorize our critical surface transportation programs early this year – embracing the many important and innovative policy changes we have included in the Administration's "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" – or SAFETEA – which was submitted to Congress some eighteen months ago. For example, we urge Congress to include strong funding incentives to encourage greater seat belt use; environmental provisions that will help accelerate project delivery while protecting our natural resources; innovative financing changes that allow greater use of tolling and other options like private activity bonds; and targeted measures designed to focus more resources on freight and goods movement and to address major bottlenecks, especially in and around our largest port complexes.

Passage of SAFETEA will also allow us to start thinking seriously about the more far-reaching policy changes that we will have to look at in the future, probably as part of the next reauthorization cycle. With the Highway Trust Fund balance shrinking by the day and with no end to the demands on our infrastructure programs, we need to look hard at broader changes to the way we finance our highway and transit infrastructure in the longer term. We also must better define what exactly the federal role should be in surface transportation. Now that the Interstate Highway System is complete and we have begun, through ISTEA and TEA-21, the process of giving states greater flexibility in how they administer highway, transit and highway safety programs, we should ask whether it makes sense to scale back the federal government's role in these programs on a much larger scale. That is a question that will need a more thorough review, but from my

perspective the federal government should play a role only in areas where it can truly add value and it should be expected to justify that role on a periodic basis.

Using RITA to Harness the Power of Technology

As most of you know, Secretary Mineta hails from San Jose, California and spent over two decades representing Silicon Valley in Congress. As a result, he knows a thing or two about the role of technology in our Nation's economy. Looking over the way the Department was organized upon his arrival four years ago, and informed as he was by that unique personal history, the Secretary spotted a serious deficiency. Understanding the importance of research to the future of our transportation system, he determined that DOT simply had to have a more focused and dedicated research capability.

He made some proposals to the U.S. Congress. Congress responded affirmatively to those proposals shortly before it adjourned at the end of last year. It passed the Norman Y. Mineta Research and Special Programs Improvement Act, signed into law by President Bush on November 30. A number of transition teams within the Department are already engaged in implementing the new legislation, and we are on target to have a ribbon-cutting for our new Research and Innovative Technology Administration, or RITA, by the end of February.

Let me be clear about what this means. The new agency reflects a fundamental reassessment of the importance of research and technology to the core mission of the Department of Transportation. It ensures a new focus – at the highest levels – on promoting research-driven, innovative technology. Secretary Mineta likes to say that this new organization is part “Silicon Valley entrepreneurial company” and part “university research lab.”

This new organization will be different from DOT's other operating administrations established in the past; it will be the Secretary's own administration, and it will help him energize the Department's research function in a way we have never seen before. Needless to say, standing up this new modal administration will be an important DOT deliverable in 2005.

As the central locus of the Department's research and development capability, including the statistical and research operations now within the Bureau of Transportation Statistics, RITA will have the wherewithal to ensure that we are using our research dollars most effectively and tying them closely to the Secretary's strategic goals. Reflecting the increasingly intermodal nature of transportation, RITA will be a cross-cutting Administration, bringing together research and analytical capabilities that are currently fragmented across the Department.

Those of you involved in the Transportation Research Forum have an important interest in all of this. We are excited about the new synergy that will be created when we bring the Department's research programs together into one focused organization that promotes innovation and leadership, and I hope that you share our excitement.

Secretary Mineta's Chief of Staff, John Flaherty, and Sam Bonasso, Deputy Administrator of the Research and Special Programs Administration and a key player in the creation of the new RITA, hosted a stakeholder outreach session yesterday as part of the TRB Annual Meeting to solicit views on how best to establish the new organization and set clear strategic direction for DOT's research programs. Perhaps some of you were there. If you were, you would have heard that the reorganization engendered by the Mineta Act will enable us to be more effective partners with all of you in researching the transportation solutions of the future. We look forward to working with you to ensure that this challenging endeavor is a success.

Secretary Mineta has demonstrated genuine vision in conceiving this new structure. I predict that the changes called for in the new legislation will trigger a process within the Department that engenders a fundamental transformation of the way we do business.

Creating a "Next Generation" Air Transportation System

Another important initiative -- launched by Secretary Mineta a year ago and one that will loom large in 2005 -- is our effort to create a Next Generation Air Transportation System. As any airline passenger knows, travelers are returning to the system in record numbers. We expect demand for air travel to triple by the year 2025. That means we need a system that will be able to handle this demand. Fortunately, Secretary Mineta has been focused on this issue for some time. Together with the Federal Aviation Administrator, Marion Blakey, and counterparts at the Departments of Commerce, Defense and Homeland Security, as well as NASA, the Secretary has launched a major interagency, multi-year effort to transform our air transportation system.

This is no simple task, and will require unprecedented cooperation among the participating agencies, something that is already happening through a Joint Planning and Development Office -- or JPDO -- that is jointly managed by the FAA and NASA and supported by staff from all the agencies involved. The JPDO now serves as a focal point for coordinating the research related to air transportation for all of the participating agencies. A successful transformation will also require a close partnership with the research community, industry and other stakeholders, and the JPDO is working to establish a formal structure within which to manage those relationships to ensure a full public-private partnership as we move forward.

Just last month, Secretary Mineta and Administrator Blakey submitted to Congress the first edition of an Integrated National Plan that lays out a common vision for the Next Generation system, establishes benchmarks by which to measure our success, and establishes a structure by which we can design and implement the changes we need to make. The system we foresee would allow for faster, more efficient movement of people and goods throughout the United States and around the world. It would be a much smarter system, allowing pilots to have greater control of their flight path and vastly improved situational awareness through greater use of technology, including satellite-based navigation. It would also be flexible enough to accommodate whatever type and

mix of aircraft we might see in our skies by the year 2025 – a mix that will look quite different from what we have today.

Many have suggested that creating a Next Generation system might be a budget-buster and therefore a non-starter in these challenging fiscal times. On the contrary, we are using the JPDO process as a way to ensure full coordination of research across agency lines, and between the government and private sector, in ways that simply have not been done in the past. A lot of money is already being spent each year on air transportation-related research. By better coordinating our actions and tying them to a long-term integrated, national plan, we can maximize the benefits of those public and private investments, get a much bigger bang for our buck, and actually save money.

Regulatory Reform

I spoke earlier about our desire to reduce regulatory burdens in order to minimize government interference in the transportation sector and unleash the power of the marketplace. Our General Counsel, Jeff Rosen, has taken this task very seriously, and he is to be commended for that. This week, in fact, the Department is issuing a “Notice of Regulatory Review” and asking for all interested parties to comment on how we can improve our current regulatory structure.

As that notice points out, “improving our regulations is a continuous focus of the Department.” It sets a very clear guiding principle – “there should be no more regulations than necessary and those that are issued should be simpler, more comprehensible, and less burdensome.” While we have responsibilities to promote a safe, secure and efficient transportation system, we also are compelled to achieve these goals in a way that minimizes regulatory burdens and does not unduly interfere in the workings of the free market. This kind of comprehensive review, which has not happened for many years, will allow us to make sure that our regulatory framework is responsive to the needs of 21st century transportation.

Future Transportation Professionals

Before I conclude, there is one other topic that I would like to touch on – the changes that are taking place in our transportation workforce and the importance of recruiting quality people to a critical sector of economic activity.

The private sector is of course driving much of this change, as companies in areas like express delivery, logistics, and travel and tourism forge new ground and recruit some of the best and brightest of our college graduates each year. The Transportation Research Forum and its members are therefore on the front lines in what must be a sustained, nationwide effort to ensure that these highly skilled students understand the benefits of taking up transportation as a career.

We at the Department will use our bully pulpit to carry this message to students across the country, and we want to support you in related efforts whenever possible. As you all

know, without good people, the system will rapidly deteriorate. As our current generation of transportation professionals nears retirement age, we must have a succeeding generation ready to take the torch and run with it.

Conclusion

Let me stop there. I have only scratched the surface, I'm afraid, but I hope I have given you at least a hint as to why this is likely to be so important a year for transportation policy and research. I hope that you have found this brief overview helpful. We certainly look forward to working with all of you in the year ahead to advance transportation policy objectives of mutual interest.

Thank you for allowing me to share these thoughts with you this afternoon.

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